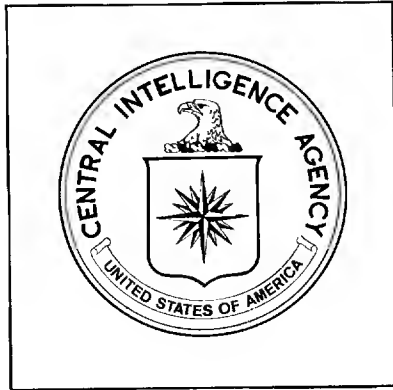


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**Middle East
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MIDDLE EAST – AFRICA – SOUTH ASIA

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Malagasy Republic

Quick March to the Left

President Didier Ratsiraka, who came to power in mid-June, is moving ahead with his program for the transformation of Malagasy society along socialist lines--with little regard for practical consequences.

On August 29 the government announced the nationalization of the country's largest trading company, the French-owned Compagnie Marseillaise de Madagascar, which has long dominated export-import trade and distribution. The company has been a favorite whipping boy for Malagasy politicians; nationalization may help Ratsiraka politically, at least for the short run.

Ratsiraka, who as foreign minister was the architect of Madagascar's nonaligned policy, on September 6 delivered the last of nine broadcasts, in which he read a 130-page statement charting his program of "revolutionary socialism."

Ratsiraka pledged that the state will take over all means of production; social services will be expanded; land not worked by its owner will be confiscated and distributed to the peasants; rural councils will be responsible for administering agriculture production; secondary school graduates must put in 18 months compulsory national service; and the army will carry out civic action programs to develop the country's infrastructure.

Ratsiraka has his work cut out for him. Peasants, who make up over 85 percent of the population, have for decades resisted efforts to get them to supplement subsistence agriculture with cash crops. Establishing

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of local councils in rural areas was a major objective of the military governments which preceded Ratsiraka, but viable organizations capable of administering modern agricultural production do not exist on the local level.

In the early 1970's, foreign-owned plantations produced over one-third of the country's agricultural exports, even though they made up only a small part of the land in agricultural use. Nationalization of foreign agricultural enterprises, coupled with nationalization of other foreign firms, is likely to reduce the revenues available to Ratsiraka, at the very time he has increased popular expectations of improved social services. (CONFIDENTIAL)

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Ethiopia

Review of Foreign Policy

During the year since Haile Selassie was deposed, the ruling military council has made no dramatic changes in Ethiopia's foreign policy. The new regime has worked to develop somewhat closer relations with communist countries, but not so close that Addis Ababa's pragmatic nonaligned stance has been compromised. Nor has the council altered Ethiopia's basic policy toward Washington; US military equipment is deemed essential to the regime's survival. The Ethiopians' sensitivity to their reliance on the US, however, has led to a great deal of friction in carrying out the assistance program.

US Ties

The Ethiopian-US relationship is an uneasy one, characterized by frustrations on both sides. The US has found it difficult to deal with the nationalistic, often divided, and seemingly headless ruling group. Most members of the council seem interested in or resigned to maintaining ties with the US because of dependence on US military assistance and training. The outbreak of serious fighting against the Eritrean rebels, and the age of most key items in the military inventory, has impressed upon the council Ethiopia's almost total reliance on the US for military aid. For many council members, however, the US is tainted by its long and close relations with the old regime. Radical members of the council would like to sever almost all ties with Washington.

The majority of the council takes the position that Washington's forthcomingness to arms requests is the best indicator of the US attitude toward the regime. This has led to considerable friction; the Ethiopians consistently ask for items that are not readily available and cannot be delivered in the desired short time-frame. Many of the difficulties between Ethiopian officials and US representatives in

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Addis Ababa stem from problems related to US security assistance procedures, rather than from differences over substantive issues. The ultimate cause of these problems is stress within the council, caused partly by those who would like to see the US-Ethiopian relationship destroyed, and partly by other council members who either fail to grasp the basic concepts of the security assistance program or are suspicious of US motives.

US problems have been eased somewhat by Addis Ababa's shift in recent months from emphasis on US grant aid to a significantly higher level of military procurement on a cash or credit basis. Ethiopia views such cash or credit transactions as the first steps toward self-sufficiency in defense finance and procurement. The country's reasonably good foreign reserve position should allow the trend to continue.

Ethiopia is likely to acquire only limited military supplies from other countries. It is doubtful that either the Soviet Union or China would be willing or able to meet Ethiopia's needs. Yugoslavia has provided a small amount of military equipment. Ethiopia has reportedly discussed military purchases with some West European countries, or with private European firms.

Addis Ababa has a highly favorable attitude toward US economic development programs. The dialogue between US representatives and government officials has improved greatly over the past six months. AID officers report that the closeness and quality of their relationships with top-level officials concerned with rural development are better than during the Haile Selassie era. In the past, the US had to deal with a handful of dedicated civil servants who were unable to move the political structure toward needed changes; now the political structure has adopted policies that mesh more closely with US assistance objectives.

The Communist World

The council--probably responding to the demands of its more radical members--has attempted to balance Ethiopia's ties with the West by giving more attention

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to relations with communist countries. To be sure, this is not a reversal of the previous regime's policies; Haile Selassie had already moved the country toward closer relations with the communist world. Thus far the socialist-oriented military council has made no significant new economic or political commitments to the East.

Ethiopian military delegations this year have visited the Soviet Union, China, and a number of East European countries. The delegations probably studied their hosts' economic development strategies and discussed possible aid projects. The council, however, has not adopted any particular foreign model as a guide for its promised far-reaching internal changes. As far as we know, most of the visits resulted in only general promises of expanded trade and aid.

Ethiopia has drawn down only a fraction of the credits extended by the Soviet Union in 1959 and by China in 1971. Addis Ababa remains dissatisfied with Moscow's unattractive terms and conditions. Soviet relations have also suffered because of Moscow's military aid to Somalia, Ethiopia's traditional enemy. The Chinese recently began work on a large road project in northern Ethiopia that will use some of the credits granted in 1971.

Most of the East European countries are apparently reluctant to become too deeply involved with Addis Ababa at this time, although an Ethiopian representative probably concluded an agreement for limited Yugoslav military assistance during a visit to Belgrade.

Arab Relations

Ethiopia's relations with most Arab countries are strained because of support given to the Eritrean rebels by Iraq, Libya, Syria, and other Arab governments. Addis Ababa has not made a point of its irritation with the Arabs, however, believing that Ethiopia's objectives are better served by maintaining a dialogue.

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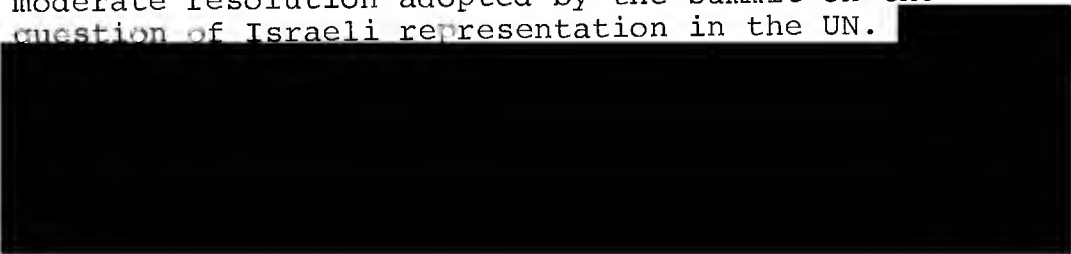
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The Ethiopians realize that most Arab countries, despite their material and financial aid to the Eritreans, do not go along with the rebels' goal of complete independence. Addis Ababa wants to be in a position to encourage that point of view. Some Arab countries apparently have been influenced by Ethiopia's warning that Arab support for Eritrean separatism could harm Afro-Arab relations, because it would violate the strong African position against altering national boundaries.


Egypt, Saudi Arabia, North Yemen and other moderate Arab states favor some kind of scheme involving a federation of Ethiopia and Eritrea. The moderate Arabs are worried that an independent Eritrea might be governed by a leftist regime obligated to the more radical Arab countries. They believe such a regime would be inimical to their interests in the lower Red Sea.

Ethiopia gives perfunctory verbal support to the Arab position on a Middle East settlement. At the OAU summit, however, Ethiopia voted in favor of the moderate resolution adopted by the summit on the question of Israeli representation in the UN.



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Ethiopian-African relations will be reviewed in the next issue of the *Staff Notes*.



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